

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

H-02 PA-02 PRS-01 CIAE-00 COME-00 FRB-01 INR-07

NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 AGR-10 /120 W

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R 140830Z JUL 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 800

TREASURY DEPARTMENT WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION OECD PARIS

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PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF JULY 8 - 14

1. SUMMARY: INFLATION PROBLEM APPEARS TO BE RECEIVING INCREASING ATTENTION AS WHOLESALE PRICES RECORDED 12TH CONSECUTIVE MONTHLY INCREASE IN JUNE. BOTH BOJ AND ECONOMIC PLANNING AGENCY EXPRESSED CONCERN ABOUT POSSIBLE INFLATION RESURGENCE IN THEIR MONTHLY REPORTS. INDUSTRIAL PRODUCTION FELL IN MAY AND PRODUCERS' SHIPMENTS Q U E STAGNANT. MAY NEW PRIVATE CONSTRUCTION ORDERS SHOW MODEST INCREASE, BUT PUBLIC CONSTRUCTION ORDERS REBOUNDED SHARPLY AFTER SLUMP IN PREVIOUS MONTH. END SUMMARY.

2. WHOLESALE PRICES ROSE 0.5 PERCENT IN JUNE TO REGISTER

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12TH SUCCESSIVE INCREASE. WHOLESALE PRICE INDEX (JEI

471) IS NOW 5.9 PERCENT ABOVE YEAR EARLIER LEVEL BUT HAS BEEN RISING AT 7.3 PERCENT ANNUAL RATE FOR PAST SIX MONTHS. JUNE INCREASE REFLECTED HIGHER PRICES FOR NON-FOOD AGRICULTURAL PRODUCTS (UP 3.1 PERCENT OVER PRIOR MONTH) INCLUDING COTTON, IMPORTED LUMBER AND CORN. PRICES OF IRON AND STEEL PRODUCTS AND NON-FERROUS METALS ALSO ROSE WHEREAS METAL ORES AND CEMENT PRICES DECLINED. IN RELEASING JUNE FIGURES, BOJ OFFICIALS SAID THE MONTHLY INCREASE IN WPI WAS "MORE THAN EXPECTED." CITING INCREASED INTERNATIONAL COMMODITY PRICES, THE IMPACT OF JAPAN'S CURRENT HOUSING BOOM ON LUMBER PRICES, AND RECENT INCREASES FOR ELECTRIC POWER RATES, OFFICIALS SZID JULY INCREASE IN WPI WOULD PROBABLY EXCEED THAT OF JUNE.

INDEX (N.S.A., 1970-100) PERCENT CHANGE FROM PRIOR MONTH

APR	163.5	0.6
MAY	164.1	0.4
JUNE	164.9	0.5

3. INDUSTRIAL PRODUCTION FELL IN MAY AND PRODUCERS' SHIPMENTS WERE VIRTUALLY UNCHANGED ON SEASONALLY ADJUSTED BASIS. REVISED FIGURES SHOW MAY MINING AND MANUFACTURING PRODUCTION INDEX (JEI 212) DECLINED 1.8 PERCENT FROM PRIOR MONTH, A SLIGHTLY LARGER DECLINE THAN 1.7 PERCENT DECREASE INITIALLY ESTIMATED. EXCLUDING SHIPS, MINING AND MANUFACTURING PRODUCTION DZLINED BY EVEN LARGE 2.1 PERCENT. PRODUCTION OF ELECTRIC MACHINERY FELL 5.9 PERCENT WHILE TRANSPORTATION EQUIPMENT PRODUCTION DROPPED 5.5 PERCENT FROM PRIOR MONTH. PRODUCERS' SHIPMENTS (JEI 239) WERE STAGNANT FOR SECOND MONTH IN ROW, RECORDING FEEBLE 0.2 PERCENT INCREASE. EXCLUDINGSHIP DELIVERIES, PRODUCERS' SHIPMENTS DECLINED 0.7 PERCENT IN MAY. INVENTORY TO SHIPMENTS RATII (JEI 253) DIPPEJU 0.1 PERCENT FROM PREVIOUS MONTH LEVEL. DETAILS ON MAY REVISED INDUSTRIAL PRODUCTION, SHIPMENTS AND INVENTORY FIGURES WILL BE REPORTED SEPTEL.

H(INDEX 1970-100; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

	MIN. AND MFG. PRODUCTION	PRODUCERS' SHIPMENTS	INVENTORY TO SHIPMENTS SHIPMENTS RATIO
MAR	122.5 (3.6)	130.6 (5.0)	121.4 (-6.1)
APR	126.2 (3.0)	128.5 (-1.6)	123.2 (1.5)
MAY	123.9 (-1.8)	128.8 (0.2)	123.1 (-0.1)

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4. NEW PUBLIC CONSTRUCTION ORDERS REBOUNDED IN MAY, BUT PRIVATE CONSTRUCTION ORDERS REMAINED STAGNANT ON SEASONALLY ADJUSTED BASIS. SHARP 50 PERCENT INCREASE FROMPRIOR MONTH IN CONSTRUCTIONORDERS PLACED BY GOVT AND PUBLIC AGENCIES (JEI 32) APPEARS TO REFLECT INITIAL SURGE IN GOVT CONSTRUCTION ORDERS FOLLOWING DELAYED PASSAGE OF GOJ BUDGET FOR JFY 1976. DESPITE MAY INCREASE, WHICH BROUGHT PUBLIC

CONSTRUCTIONORDERS TO HIGHEST LEVEL IN OVER A YEAR, AVERABE  
LEVEL FOR PAST THREE MONTHS IS 6 PERCENT BELOW MONTHLY  
AVERAGE FOR CY 1975. AVERAGE LEVEL OF CONSTRUCTIONORDERS  
PLACED BY PRIVATE FIRMS (JEI 325) DURING PAST THREE  
MONTHS WAS 4.8 PERCENT BELOW MONTHLY AVERAGE FOR CY 1975.

NEW CONSTRUCTIONORDERS, SEASONALLY ADJUSTED  
(BIL YEN; PCT CHANGE FROM PRIOR MONTH IN PAREN)

	GOVT/PUBLIC	PRIVATE
MAR	220.2 (16.8)	272.4 (0.0)
APR	153.3 (-30.4)	212.6 (-22.0)
MAY	229.5 (49.7)	218.6 (2.7)

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS  
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**Copy:** SINGLE  
**Draft Date:** 14 JUL 1976  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
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**TAGS:** EFIN, JA  
**To:** STATE TRSY  
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